



**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Applied and Health Sciences***

DEPARTMENT OF MATHEMATICS AND PHYSICS

UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF SCIENCE IN MATHEMATICS AND COMPUTER SCIENCE

**BAC 4103: GENERAL ECONOMICS**

SPECIAL/SUPPLEMENTARY EXAMINATIONS

**SERIES: JUNE/JULY 2015**

**TIME: 2 HOURS**

**INSTRUCTIONS:**

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

***This paper consists of Two printed pages***

---

**QUESTION 1 (Compulsory)**

- a) Define the law of demand and state the exceptions to this law. **(10 marks)**
- b) Explain the concept of “diminishing marginal utility” and explain atleast **FOUR** limitations of the theory of marginal utility. **(10 marks)**
- c) Explain what is meant by the following terms as used in factors of production:
  - i) Transfer earnings
  - ii) Economic rent **(10 marks)**

## QUESTION 2

- a) Discuss **TWO** approaches used in the measurement of the national income of a country. **(10 marks)**
- b) Explain the following terms as used in nation income calculations:
- i) Gross National Product (GNP)
  - ii) Gross Domestic Product (GDP)
  - iii) Net National Income (Product) NNP
  - iv) Per Capita Income
- (10 marks)**

## QUESTION 3

- a) Define the term monetary policy and explain **FOUR** objectives of monetary policy. **(10 marks)**
- b) Explain **FIVE** roles that the Central Bank of a country plays towards the achievement of a stable economy. **(10 marks)**

## QUESTION 4

- a) One of the determinants of demand for a commodity is advertising. Explain how advertising influences demand and state the factors a business firm must bear in mind while developing an advertising policy. **(12 marks)**
- b) Explain the **TWO** types of taxes, giving an advantage and disadvantage of each type of tax. **(8 marks)**

## QUESTION 5

- a) Using indifference curves analysis, show the effect of an income change on an indifference curve by use of a well labelled diagram. **(10 marks)**
- b) Explain the qualities that one should look for when analyzing the “goodness” or “badness” of tax. **(10 marks)**